



NEW QM RULE – JUST THE BASICS

first community mortgage

What loans are impacted with the new QM Rule on July 1, 2021?

Conventional Conforming Loans . . . Loans that are considered QM today because of “The Patch”. In other words, loans eligible to be sold to Fannie Mae or Freddie Mac (Agency loans).

What is the new Pricing-Based Calculation?

If the APR for the loan does not exceed the APOR based on the thresholds below the loan is QM.

Loan Amount	APR – APOR Spread	Category
Any	< 1.50%	QM Safe Harbor
≥ \$110, 260	1.50% to < 2.25%	QM Rebuttal Presumption - HPML
≥ \$66,156 < \$110,260	1.50% to < 3.50%	QM Rebuttal Presumption - HPML
< \$66,156	1.50% to < 6.50%	QM Rebuttal Presumption - HPML
Manufactured Home < \$110,260	1.50% to < 6.50%	QM Rebuttal Presumption - HPML

What is the APOR?

The APOR is the Average Prime Offer Rate. It is an annual percentage rate that is based on average interest rates, fees, and other terms on mortgages offered to highly qualified borrowers. It can be found on the FFIEC Website - [HMDA Platform Tools \(cfpb.gov\)](https://www.ffiec.gov/hmda-platform-tools)

What about ARM loans?

If the loan is a 5-Year ARM, you will need to use a special calculation for the APR. Rather than the note rate, the interest rate used to calculate the APR for QM qualification, is the note rate plus first rate change cap. For example:

- Note Rate is 3%, first change rate cap is 2%. Rate used to calculate the APR for QM is 5%.

What loans are not impacted by the new Pricing-Based Calculation?

FHA, VA, and RD loans already have their own QM Rules and will not be impacted by the new QM Rule. Business as usual for these loans.

What about Non-Conforming/Jumbo Loans?

Depends! FCM underwrites these loans to investor guidelines. Some investors have opted to embrace the new Pricing-Based QM Rules early, while others are waiting. You will need to review the guideline links posted on the Knowledge Center.

What about loan applications take before July 1, 2021?

Any loan application taken on or before June 30, 2021, that does not meet the new pricing-based QM rules must be closed and funded by July 31, 2021 and delivered to FNMA by August 31, 2021.

What will be updated in Encompass?

Glad you asked . . . there will be a handful of updates made to Encompass. Stay tuned for additional updates!

THIS IS JUST THE BASIC INFO. SEE THE GUIDE POSTED ON THE KC FOR THE REST OF THE STORY!